

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Linden	County Genesee
Fiscal Year End June 30, 2006	Opinion Date August 23, 2006	Date Audit Report Submitted to State October 24, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

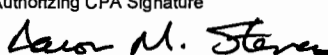
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	N/A	
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number 517-351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
Zip 48823			
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA	License Number 1101024055	

**City of Linden
Genesee County, Michigan**

FINANCIAL STATEMENTS

June 30, 2006

City of Linden
Genesee County, Michigan
June 30, 2006
CITY COUNCIL AND ADMINISTRATION

David Lossing	Mayor
Patti O'Dwyer	Mayor Pro-Tem
Ray Culbert	Council Member
Diane Eldred	Council Member
Ed Ciesielski	Council Member
Tom Brady	Council Member
Graham Morgan	Council Member
* * * * *	
Dale Martin	City Manager
Gloria Kirshman	Treasurer

City of Linden

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Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Linden
Linden, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Linden, Michigan as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Linden, Michigan as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2006 on our consideration of the City of Linden's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Linden's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 23, 2006

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

This discussion and analysis of the City of Linden's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$6,563,323 (net assets). Of this amount, \$4,160,254 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$1,291,612.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,847,797. Of this total, \$980,598 is available for spending at the government's discretion (unreserved fund balance).
- For the General Fund, unreserved and undesignated fund balance at the end of the current fiscal year was \$666,856, or approximately thirty-four percent of total General Fund expenditures and other financing uses.
- The City has various street projects that were in progress at the end of the fiscal year. The City also issued general obligation and special assessment bonds during the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City of Linden's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government (including administration and recreation), public safety, and public works. The business-type activities of the City include sanitary sewer and water operations.

The government-wide financial statements can be found on pages 1-2 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Local Street Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* located in the "Other Supplementary Information" section of the report.

The City adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements or schedules have been provided herein for the General and major Special Revenue Funds to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its sanitary sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for motor pool operations. Because this service benefits both governmental and business-type functions, it has been allocated between *governmental activities* and *business-type activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sanitary sewer and water operations, both of which are considered to be major funds of the City. The motor pool internal service fund is presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 7, 9, and 11-12 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13 through 29 of the report.

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Linden, assets exceeded liabilities by \$6,563,323 at the close of the most recent fiscal year.

This amount is an increase from the prior year of approximately \$1.3 million. The primary reason for the substantial increase in net assets is the significant amount of infrastructure work that occurred in the City during the fiscal year, which increased capital assets net of accumulated depreciation.

A significant portion of the City's net assets (approximately 21%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Linden's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$2,825,988	\$2,554,873	\$2,692,341	\$2,472,538	\$5,518,329	\$5,027,411
Capital assets, net	5,157,639	4,147,201	4,529,814	4,302,282	9,687,453	8,449,483
Total assets	7,983,627	6,702,074	7,222,155	6,774,820	15,205,782	13,476,894
Liabilities						
Current	501,421	512,091	509,273	462,766	1,010,694	974,857
Noncurrent	3,063,772	2,885,742	4,567,993	4,344,584	7,631,765	7,230,326
Total liabilities	3,565,193	3,397,833	5,077,266	4,807,350	8,642,459	8,205,183
Net Assets						
Invested in capital assets-						
net of related debt	1,746,255	903,516	(399,770)	(373,112)	1,346,485	530,404
Restricted	960,768	1,006,067	95,816	169,311	1,056,584	1,175,378
Unrestricted	1,711,411	1,394,658	2,448,843	2,171,271	4,160,254	3,565,929
Total net assets	\$4,418,434	\$3,304,241	\$2,144,889	\$1,967,470	\$6,563,323	\$5,271,711

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

City of Linden's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenue:						
Charges for services	\$ 743,857	\$ 468,096	\$ 1,167,429	\$ 1,025,713	\$ 1,911,286	\$ 1,493,809
Operating grants and contributions	197,612	189,223	-	-	197,612	189,223
Capital grants and contributions	647,751	101,604	-	-	647,751	101,604
General revenues:						
Property taxes	1,143,898	1,038,765	-	-	1,143,898	1,038,765
State Revenue Sharing	305,805	244,491	-	-	305,805	244,491
Investment earnings	124,908	86,429	69,782	34,773	194,690	121,202
Miscellaneous	95,299	40,239	-	-	95,299	40,239
Total revenues	3,259,130	2,168,847	1,237,211	1,060,486	4,496,341	3,229,333
Expenses						
General government	981,332	962,868	-	-	981,332	962,868
Public safety	691,922	703,607	-	-	691,922	703,607
Public works	353,953	305,151	-	-	353,953	305,151
Recreation and cultural	13,195	13,297	-	-	13,195	13,297
Sanitary sewer	-	-	608,618	593,817	608,618	593,817
Water	-	-	451,174	393,858	451,174	393,858
Interest on long-term debt	104,535	137,439	-	-	104,535	137,439
Total expenses	2,144,937	2,122,362	1,059,792	987,675	3,204,729	3,110,037
Change in net assets	1,114,193	46,485	177,419	72,811	1,291,612	119,296
Net assets, beginning of year	3,304,241	3,257,756	1,967,470	1,894,659	5,271,711	5,152,415
Net assets, end of year	<u>\$ 4,418,434</u>	<u>\$ 3,304,241</u>	<u>\$ 2,144,889</u>	<u>\$ 1,967,470</u>	<u>\$ 6,563,323</u>	<u>\$ 5,271,711</u>

Governmental activities. Governmental activities increased the City's net assets by \$1,114,193. Key elements of this increase are as follows:

- Property taxes represent the largest source of revenue for the governmental activities of the City. Property tax revenue for 2006 was \$105,133 (10.1 percent) higher than the 2005 property tax revenue. This increase is predominantly the result of significant and continuing residential growth in addition to increased taxable values.
- Capital grants and contributions increased by \$546,147, which included City infrastructure projects administered by the Michigan Department of Transportation.
- Total expenses related to the governmental activities increased by only \$22,575 (approximately 1 percent).

Business-type activities. Business-type activities increased the City's net assets by \$177,419. While the sewer system experienced an increase in tap fees in comparison to the prior year, the water system tap fee revenue decreased. Investment earnings increased substantially in comparison to the prior year due to the increase in interest rates. Expenses for the business-type activities increased approximately 7.3%.

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-terms inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,847,797, an increase of \$205,179 in comparison with the prior year. Approximately half of this amount (\$980,598) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay for specific capital projects or for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City. At the end of the fiscal year, the unreserved fund balance of the General Fund was \$711,951. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance at of June 30, 2006, represented 34% of total General Fund expenditures and other financing uses.

The fund balance of the City's General Fund increased by \$189,227 during the current fiscal year. This was primarily the result of projects not completed (Linden Mill building repairs) or expenses below anticipated costs (Principal Shopping District contribution, consulting engineering costs). Another factor was increased revenues due to increased interest on investments and a greater number of building permits issued than anticipated.

The Local Street Fund (the City's other major governmental fund) had a fund balance of \$108,117 at the close of the fiscal year. This was an increase of \$55,075 from the prior year. This was primarily attributable to general obligation and special assessment bond proceeds which had been received for infrastructure improvements.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer and Water Funds at the end of the year amounted to \$1,318,507 and \$816,543, respectively. The most recent fiscal year's activities increased the net assets of the Sewer Fund by \$217,289. The most recent fiscal year's activities decreased the net assets of the Water Fund by \$33,883. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Over the course of the fiscal year, the City Council made necessary budget adjustments to fund unanticipated expenditures during the year. Differences between the original and final amended budgets for expenditures were relatively minor.

Budget to actual comparisons for the City's General Fund were generally favorable, although to varying degrees.

Capital Asset and Debt Administration

Capital assets. At the end of the fiscal year, the City had approximately \$9,687,453 invested in a broad range of capital assets, including buildings, land, equipment, and infrastructure. The total increase in the City's investment in capital assets for the fiscal year was approximately \$1,238,000.

City of Linden

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Major capital asset expenditures during the fiscal year included the following:

- Water tower maintenance and improvements.
- Construction of a new well and design of a federally-mandated arsenic-removal treatment facility.

City's Capital Assets
(net of depreciation)

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	<u>Total</u>
Land	\$ 84,069	\$ 7,027	\$ 91,096
Infrastructure	2,578,179	-	2,578,179
Buildings and improvements	482,306	2,028,218	2,510,524
Systems	-	2,494,569	2,494,569
Equipment	548,006	-	548,006
Construction in progress	<u>1,465,079</u>	<u>-</u>	<u>1,465,079</u>
Capital assets, net	<u>\$ 5,157,639</u>	<u>\$ 4,529,814</u>	<u>\$ 9,687,453</u>

Additional information on the City's capital assets can be found in Note F on pages 21-22 of this report.

Long-term Debt. At the end of the most recent fiscal year, the City had total debt outstanding of \$8,378,667. Of this amount, \$1,925,000 represents bonds secured solely by specified revenue sources (i.e., revenue and special assessment bonds), \$5,845,810 represents general obligation bonds, \$570,158 represents installment contracts, and \$37,699 represents accrued compensated absences.

City's Outstanding Debt

	Governmental <u>Activities</u>	Business- type <u>Activities</u>	<u>Total</u>
Revenue/Special assessment bonds	\$ 1,355,000	\$ 570,000	\$ 1,925,000
General obligation bonds	1,486,226	4,359,584	5,845,810
Installment contracts	570,158	-	570,158
Accrued compensated absences	<u>37,699</u>	<u>-</u>	<u>37,699</u>
Total outstanding debt	<u>\$ 3,449,083</u>	<u>\$ 4,929,584</u>	<u>\$ 8,378,667</u>

The City's total debt increased by \$422,156 (5.3 percent) during the fiscal year, with the addition of the general obligation bonds (\$300,000), special assessment bonds (\$235,000), capital improvement bonds (\$585,000) and debt payments (\$698,111) being the primary changes during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$12,813,450, which significantly exceeds the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note G on pages 22-26 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2006

Current Economic Factors

The following factors were considered in preparing the City's budget for the 2006-07 fiscal year:

- The continuing negative impact of the combined effects of the Headlee Amendment and Proposal A upon the City's ability to levy charter-authorized millage.
- The continuing decline of community revenue provided by the State of Michigan.
- The continuing escalation of health care costs.
- The continuing policy decisions of federal and state officials that create "unfunded mandates" for local governments (e.g. arsenic treatment for water systems).
- The increasing percentage of expenditures devoted to debt service as a result of previous project financing.
- The anticipated modest increase in revenue as the result of population growth from 2000 to 2005.

Requests for Information

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Clerk at P.O. Box 507, Linden, Michigan 48451.

BASIC FINANCIAL STATEMENTS

City of Linden

STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,454,210	\$ 1,784,458	\$ 3,238,668
Investments	89,226	485,018	574,244
Receivables	1,065,142	291,861	1,357,003
Internal balances	(9,839)	9,839	-0-
Due from other governmental units	79,405	-	79,405
Inventories	-	25,195	25,195
Prepays	46,708	-	46,708
Total current assets	2,724,852	2,596,371	5,321,223
Noncurrent assets			
Cash - restricted	101,136	95,816	196,952
Cash with agent	-	154	154
Capital assets not being depreciated	1,549,148	7,027	1,556,175
Capital assets, net of accumulated depreciation	3,608,491	4,522,787	8,131,278
Total noncurrent assets	5,258,775	4,625,784	9,884,559
TOTAL ASSETS	7,983,627	7,222,155	15,205,782
LIABILITIES			
Current liabilities			
Accounts payable	23,888	93,191	117,079
Other accrued liabilities	51,521	757	52,278
Accrued interest payable	40,701	53,734	94,435
Current portion of compensated absences	28,274	-	28,274
Current portion of long-term debt	357,037	361,591	718,628
Total current liabilities	501,421	509,273	1,010,694
Noncurrent liabilities			
Noncurrent portion of compensated absences	9,425	-	9,425
Noncurrent portion of long-term debt	3,054,347	4,567,993	7,622,340
Total noncurrent liabilities	3,063,772	4,567,993	7,631,765
TOTAL LIABILITIES	3,565,193	5,077,266	8,642,459
NET ASSETS			
Invested in capital assets, net of related debt	1,746,255	(399,770)	1,346,485
Restricted for			
Debt service	471,853	95,816	567,669
Other purposes	488,915	-	488,915
Unrestricted	1,711,411	2,448,843	4,160,254
TOTAL NET ASSETS	\$ 4,418,434	\$ 2,144,889	\$ 6,563,323

See accompanying notes to financial statements.

City of Linden

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities							
General government	\$ 981,332	\$ 722,660	\$ 1,024	\$ -	\$ (257,648)	\$ -	\$ (257,648)
Public safety	691,922	16,812	1,679	-	(673,431)	-	(673,431)
Public works	353,953	4,385	191,909	647,751	490,092	-	490,092
Recreation and cultural	13,195	-	3,000	-	(10,195)	-	(10,195)
Interest on long-term debt	104,535	-	-	-	(104,535)	-	(104,535)
Total governmental activities	2,144,937	743,857	197,612	647,751	(555,717)	-0-	(555,717)
Business-type activities							
Sewer system	608,618	772,796	-	-	-	164,178	164,178
Water system	451,174	394,633	-	-	-	(56,541)	(56,541)
Total business-type activities	1,059,792	1,167,429	-0-	-0-	-0-	107,637	107,637
Totals	<u>\$ 3,204,729</u>	<u>\$ 1,911,286</u>	<u>\$ 197,612</u>	<u>\$ 647,751</u>	(555,717)	107,637	(448,080)
General revenues							
Property taxes					1,143,898	-	1,143,898
State shared revenues					305,805	-	305,805
Investment earnings					124,908	69,782	194,690
Miscellaneous					95,299	-	95,299
Total general revenues					1,669,910	69,782	1,739,692
Change in net assets					1,114,193	177,419	1,291,612
Net assets, beginning of the year					3,304,241	1,967,470	5,271,711
Net assets, end of the year					<u>\$ 4,418,434</u>	<u>\$ 2,144,889</u>	<u>\$ 6,563,323</u>

See accompanying notes to financial statements.

City of Linden

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

	General	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 587,273	\$ 106,855	\$ 755,773	\$ 1,449,901
Cash and cash equivalents - restricted	101,136	-	-	101,136
Investments	89,226	-	-	89,226
Receivables				
Accounts	39,636	-	143	39,779
Taxes	910	-	-	910
Special assessments	25,756	8,019	990,678	1,024,453
Prepays	16,729	-	-	16,729
Due from other funds	5,768	-	-	5,768
Due from other governmental units	79,405	-	-	79,405
TOTAL ASSETS	\$ 945,839	\$ 114,874	\$ 1,746,594	\$ 2,807,307
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 20,561	\$ 2,448	\$ 879	\$ 23,888
Accrued wages	38,591	527	170	39,288
Other accrued liabilities	12,182	-	-	12,182
Due to other funds	-	-	5,768	5,768
Deferred revenue	19,150	3,782	855,452	878,384
TOTAL LIABILITIES	90,484	6,757	862,269	959,510
FUND BALANCES				
Reserved for				
Retiree health care	-	-	117,648	117,648
Perpetual care	-	-	93,593	93,593
Debt service	-	-	512,554	512,554
Public education grant	42,847	-	-	42,847
Mill Building	83,828	-	-	83,828
Prepays	16,729	-	-	16,729
Unreserved				
Designated for subsequent year's expenditures	45,095	-	-	45,095
Undesignated, reported in				
General fund	666,856	-	-	666,856
Special revenue funds	-	108,117	160,530	268,647
TOTAL FUND BALANCES	855,355	108,117	884,325	1,847,797
TOTAL LIABILITIES AND FUND BALANCES	\$ 945,839	\$ 114,874	\$ 1,746,594	\$ 2,807,307

See accompanying notes to financial statements.

City of Linden

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2006

Total fund balance - total governmental funds **\$ 1,847,797**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 6,415,510	
Accumulated depreciation is	<u>(1,257,871)</u>	
Capital assets, net		5,157,639

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. A portion of the assets and liabilities of the Internal Service Fund is included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in the Internal Service Fund	360,175	
Net capital assets of the Internal Service Fund included in total capital assets above	(504,402)	
Long-term liabilities of the Internal Service Fund included in total long-term liabilities below	<u>168,625</u>	
		24,398

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. These consist of:

Deferred revenue		878,384
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Long-term debt payable	3,411,384	
Accrued interest payable	40,701	
Compensated absences	<u>37,699</u>	
		<u>(3,489,784)</u>

Net assets of governmental activities **\$ 4,418,434**

See accompanying notes to financial statements.

City of Linden

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	General	Local Street	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,143,898	\$ -	\$ -	\$ 1,143,898
Licenses and permits	97,995	-	-	97,995
Intergovernmental	316,540	696,278	134,325	1,147,143
Charges for services	394,953	-	-	394,953
Fines and forfeits	35,240	-	-	35,240
Interest and rents	52,351	2,354	71,651	126,356
Other	81,491	4,385	132,957	218,833
TOTAL REVENUES	2,122,468	703,017	338,933	3,164,418
EXPENDITURES				
Current				
General government	901,868	-	-	901,868
Public safety	625,496	-	-	625,496
Public works	211,060	1,181,419	84,831	1,477,310
Recreation and cultural	13,195	-	-	13,195
Capital outlay	2,371	-	-	2,371
Debt service	61,544	75,556	336,899	473,999
TOTAL EXPENDITURES	1,815,534	1,256,975	421,730	3,494,239
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	306,934	(553,958)	(82,797)	(329,821)
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	535,000	-	535,000
Transfers in	3,509	74,000	71,216	148,725
Transfers out	(121,216)	-	(27,509)	(148,725)
TOTAL OTHER FINANCING SOURCES (USES)	(117,707)	609,000	43,707	535,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	189,227	55,042	(39,090)	205,179
Fund balances, beginning of year	666,128	53,075	923,415	1,642,618
Fund balances, end of year	<u>\$ 855,355</u>	<u>\$ 108,117</u>	<u>\$ 884,325</u>	<u>\$ 1,847,797</u>

See accompanying notes to financial statements.

City of Linden

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ 205,179

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,231,814	
Depreciation expense	<u>(221,376)</u>	
Excess of capital outlay over depreciation expense		1,010,438

Management uses an Internal Service Fund to charge the costs of certain activities to individual funds.

Decrease in Net Assets of the Internal Service Fund	(8,118)	
Depreciation expense of the Internal Service Fund included in the total above	89,642	
Capital outlay of the Internal Service Fund included in the total above	(72,382)	
Loan principal retirement of the Internal Service Fund included in the total below	(37,336)	
Decrease in accrued interest payable of the Internal Service Fund included in the total below	<u>(2,139)</u>	
		(30,333)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in deferred revenue		94,712
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt proceeds	(535,000)	
Repayment of long-term debt	<u>367,301</u>	
		(167,699)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	2,163	
Increase in accrued compensated absences	<u>(267)</u>	
		<u>1,896</u>

Change in net assets of governmental activities \$ 1,114,193

See accompanying notes to financial statements.

City of Linden

Proprietary Funds

STATEMENT OF NET ASSETS

June 30, 2006

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Internal Service Fund</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 792,023	\$ 992,435	\$ 1,784,458	\$ 4,309
Investments	485,018	-	485,018	-
Accounts receivable	84,677	161,495	246,172	-
Special assessments receivable	-	45,689	45,689	-
Prepays	-	-	-0-	29,979
Inventories	-	25,195	25,195	-
Total current assets	1,361,718	1,224,814	2,586,532	34,288
Noncurrent assets				
Cash and cash equivalents - restricted	-	95,816	95,816	-
Cash with agent	154	-	154	-
Capital assets not being depreciated	-	7,027	7,027	-
Capital assets, net of accumulated depreciation	2,489,666	2,033,121	4,522,787	504,402
Total noncurrent assets	2,489,820	2,135,964	4,625,784	504,402
TOTAL ASSETS	3,851,538	3,360,778	7,212,316	538,690
LIABILITIES				
Current liabilities				
Accounts payable	8,760	84,431	93,191	-
Accrued wages	108	649	757	51
Accrued interest payable	36,265	17,469	53,734	8,797
Current portion of long-term debt	178,976	182,615	361,591	39,475
Total current liabilities	224,109	285,164	509,273	48,323
Noncurrent liabilities				
Bonds and notes payable	2,308,922	2,259,071	4,567,993	120,353
TOTAL LIABILITIES	2,533,031	2,544,235	5,077,266	168,676
NET ASSETS				
Invested in capital assets, net of related debt	1,768	(401,538)	(399,770)	344,574
Restricted for debt service	-	95,816	95,816	-
Unrestricted	1,316,739	1,122,265	2,439,004	25,440
TOTAL NET ASSETS	\$ 1,318,507	\$ 816,543	\$ 2,135,050	\$ 370,014

See accompanying notes to financial statements.

City of Linden

RECONCILIATION OF THE ENTERPRISE FUNDS STATEMENT OF
NET ASSETS TO THE STATEMENT OF NET ASSETS

June 30, 2006

Net assets - total enterprise funds	\$2,135,050
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Amounts reported for business-type activities in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service are included in business-type activities.

Add: portion of net assets of business-type activities accounted for in the internal service fund	<u>9,839</u>
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Net assets of business-type activities	<u><u>\$2,144,889</u></u>
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See accompanying notes to financial statements.

City of Linden

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS

Year Ended June 30, 2006

	<u>Business-type Activities</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Internal Service Fund</u>
OPERATING REVENUES				
Charges for services	\$ 529,796	\$ 286,633	\$ 816,429	\$ 143,386
Tap fees	243,000	108,000	351,000	-
Other revenue	-	-	-0-	2,409
TOTAL OPERATING REVENUES	772,796	394,633	1,167,429	145,795
OPERATING EXPENSES				
Salaries and wages	7,793	40,390	48,183	15,257
Fringe benefits	610	4,635	5,245	1,488
Administration fees	48,682	61,957	110,639	-
Contractual services	294,572	3,700	298,272	-
Supplies	657	36,267	36,924	21,664
Communications	1,006	3,070	4,076	-
Insurance	2,868	662	3,530	4,741
Repairs and maintenance	31,199	16,650	47,849	19,177
Equipment rental	-	3,480	3,480	-
Depreciation	96,767	147,723	244,490	89,642
Other	3,459	20,485	23,944	-
TOTAL OPERATING EXPENSES	487,613	339,019	826,632	151,969
OPERATING INCOME (LOSS)	285,183	55,614	340,797	(6,174)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	52,685	17,097	69,782	866
Interest expense and fees	(120,579)	(106,594)	(227,173)	(8,797)
TOTAL NONOPERATING REVENUES (EXPENSES)	(67,894)	(89,497)	(157,391)	(7,931)
CHANGE IN NET ASSETS	217,289	(33,883)	183,406	(14,105)
Net assets, beginning of year	1,101,218	850,426	1,951,644	384,119
Net assets, end of year	<u>\$ 1,318,507</u>	<u>\$ 816,543</u>	<u>\$ 2,135,050</u>	<u>\$ 370,014</u>

See accompanying notes to financial statements.

City of Linden

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGE IN FUND
NET ASSETS OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Change in net assets - total enterprise funds	\$ 183,406
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Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. A portion of the net revenue (expense) of the internal service fund is reported with business-type activities.

Less: decrease in net assets from business-type activities accounted for in internal service fund	<u>(5,987)</u>
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Change in net assets of business-type activities	<u>\$ 177,419</u>
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See accompanying notes to financial statements.

City of Linden

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2006

	Business-type Activities	
	Sewer	Water
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	\$ 766,515	\$ 353,413
Cash paid to vendors	(373,683)	(137,204)
Cash paid for employee benefits	(11,966)	(41,908)
NET CASH PROVIDED BY OPERATING ACTIVITIES	380,866	174,301
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(140,578)	(331,444)
Bond proceeds	-	585,000
Payments on borrowings	(169,764)	(161,046)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(310,342)	92,510
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(485,018)	-
Maturity of investments	716,882	-
Interest revenue	52,685	17,097
Interest expense and fees	(120,579)	(106,594)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	163,970	(89,497)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	234,494	177,314
Cash and cash equivalents, beginning of year	557,683	910,937
Cash and cash equivalents, end of year	<u>\$ 792,177</u>	<u>\$ 1,088,251</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating income (loss)	\$ 285,183	\$ 55,614
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	96,767	147,723
(Increase) in accounts receivable	(6,281)	(35,634)
(Increase) in special assessments receivable	-	(5,586)
(Increase) in prepaids	-	-
Decrease in inventories	-	1,655
Increase in accounts payable	8,760	7,412
Increase (decrease) in accrued liabilities	(3,563)	3,117
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 380,866	\$ 174,301

See accompanying notes to financial statements.

	Governmental Activities
Total	Internal Service Fund
\$ 1,119,928	\$ 145,795
(510,887)	(75,561)
(53,874)	(19,242)
555,167	50,992
(472,022)	(72,382)
585,000	-
(330,810)	(37,336)
(217,832)	(109,718)
(485,018)	-
716,882	3,200
69,782	866
(227,173)	(8,797)
74,473	(4,731)
411,808	(63,457)
1,468,620	67,766
\$ 1,880,428	\$ 4,309
\$ 340,797	\$ (6,174)
244,490	89,642
(41,915)	-
(5,586)	-
-0-	(29,979)
1,655	-
16,172	-
(446)	(2,497)
\$ 555,167	\$ 50,992

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Linden is located in Genesee County, Michigan and has a population of approximately 3,800. The City operates with a City Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to City governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Linden (primary government). The City has no activities that would be classified as component units.

2. Joint Ventures

The City participates in the following activities which are considered to be joint ventures in relation to the City, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Southern Lakes Regional Metropolitan Parks and Recreation Commission - The City is a member of the Southern Lakes Regional Metropolitan Parks and Recreation Commission (SLP&R), which is a joint venture between the City of Linden, City of Fenton, and the Township of Fenton. The City appoints two (2) of the six (6) members of the governing board. SLP&R provides recreational activities for the common interest and welfare of all residents of the Southern Lakes Regional Metropolitan District.

The financial activities of SLP&R are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended December 31, 2005, are available at SLP&R's administrative offices. As of December 31, 2005, SLP&R had a fund balance of \$128,494.

Loose Senior Citizens Center, Inc. - The City is a member of the Loose Senior Citizens Center (LSCC) and appoints one (1) governing board member. LSCC provides a non-residential activity center to older people in the Southern Genesee County area.

The financial activities of LSCC are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended December 31, 2005, are available at LSCC's administrative offices. As of December 31, 2005, LSCC had net assets of \$894,432.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Local Street Fund is used to account for the financial resources that are used for repairs and maintenance of the City's local streets.
- c. The Sewer Fund is used to account for the operations required to provide sewer services to the general public, the costs of which (expenses, including depreciation) are financed or recovered primarily through user charges.
- d. The Water Fund accounts for the activities of the government's water distribution and treatment system, the costs of which (expenses, including depreciation) are financed or recovered primarily through user charges.

4. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting - continued

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

6. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July. The operating budget includes proposed expenditures and the means of financing them for the General and Special Revenue Funds.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. On or before the first regular council meeting in May, by resolution, the budget is legally enacted at the activity level for the General and Special Revenue Funds for the ensuing fiscal year in accordance with Public Act 621 of the State of Michigan.
- d. The Council is authorized to transfer budgeted amounts from one department or fund to another.
- e. Formal budgetary integration is employed as a management control device during the year for all budgetary funds. Also, all budgets are adopted on a basis consistent with generally accepted accounting principles.
- f. Budget appropriations not encumbered lapse at the end of the fiscal year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Budgets and Budgetary Accounting - continued

- g. The original budget was amended during the year in compliance with the City Charter and applicable State laws. The budget to actual expenditures in the financial statements represent the final budgeted expenditures as amended by the City and are presented at the activity level.
- h. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed in the governmental funds.

7. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at market value.

8. Receivables

Receivables consist of amounts due related to charges for services, interest receivable, and other amounts owed to the City at year-end.

9. Property Tax

The City of Linden bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the City of Linden on July 1 and are payable without penalty through September 15. All real property taxes not paid to the City by March 1 are turned over to the Genesee County Treasurer for collection. The Genesee County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 13.50 mills (\$13.50 per \$1,000 of taxable valuation), which has been permanently reduced to 10.9914 mills because of millage reduction fractions, for general governmental services other than the payment of Debt Service Fund expenditures. For the year ended June 30, 2006, the City levied 10.9914 mills per \$1,000 of taxable valuation for general governmental services. The City also levies 0.3375 mills for mosquito control, which has an allowable maximum of 0.3500 mills. The total taxable value of the 2005 levy for property within the City was \$103,936,155.

10. Inventories

The cost of inventory items in governmental funds is recorded as an expenditure at the time of purchase. Inventories in the Water System Fund consist of supplies which are stated at cost on a first-in/first-out basis.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

12. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and sick time. All employees with accumulated unused vacation and sick time pay at June 30, 2006 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

13. Capital Assets

Capital assets include land, buildings and equipment, and water and sewer systems and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental or business-type activities columns as applicable. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than two years. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	15 - 30 years
Equipment	5 - 10 years
Water and sewer systems	20 - 100 years
Infrastructure	20 years

14. Deferred Revenue

Deferred revenue consists of amounts related to special assessments receivable in future periods. None of these amounts are deferred in the government-wide financial statements.

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The City utilizes a pooled cash account for approximately fourteen (14) funds. The City's pooled cash account consists of a checking account.

The City's pooled cash accounts and investments are utilized by the General Fund, Special Revenue Funds, Debt Service Funds, the Permanent Fund, and the Enterprise Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents and investments captions on the basic financial statements.

The other funds of the City utilize separate savings and interest bearing checking accounts.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2006, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 1,379,602	\$ 1,490,230
Savings	387,644	388,649
Certificate of Deposit	<u>1,160,148</u>	<u>1,160,147</u>
Total Primary Government	<u>\$ 2,927,394</u>	<u>\$ 3,039,026</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUEDDeposits - continued

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2006, the City accounts were insured by the FDIC for \$600,000 and the amount of \$2,439,026 was uninsured and uncollateralized.

Investments

As of June 30, 2006, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
LaSalle Bank - Public Funds Investment Trust	\$ 95,815	\$ 96,174	30 day
MBIA - Michigan Class	<u>986,505</u>	<u>990,446</u>	29 days
	<u>\$ 1,082,320</u>	<u>\$ 1,086,620</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2006, the Public Funds Investment Trust was rated AAAM by Standard and Poor's and Aaa by Moody's. The MBIA - Michigan Class investment is not rated.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

Concentration of credit risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

Limiting investments to the types of securities listed in the "Authorized and Suitable Investments" section; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with the "Qualified Institutions" section; and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

As of June 30, 2006, the cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents and investments captions in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 1,454,210	\$ 1,784,458	\$ 3,238,668
Cash and cash equivalents - restricted	101,136	95,816	196,952
Investments	<u>89,226</u>	<u>485,018</u>	<u>574,244</u>
	<u>\$ 1,644,572</u>	<u>\$ 2,365,292</u>	<u>\$ 4,009,864</u>

The cash and cash equivalents captions in the basic financial statements include \$150 in imprest cash.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash, cash equivalents and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

NOTE C: RESTRICTED CASH AND CASH EQUIVALENTS

The following summarizes the restricted cash and cash equivalents as of June 30, 2006:

	Cable Performance Deposit	Mill Building Improvements	Debt Retirement	Total
General Fund	\$ 2,519	\$ 98,617	\$ -	\$ 101,136
Water Fund	<u>-</u>	<u>-</u>	<u>95,816</u>	<u>95,816</u>
	<u>\$ 2,519</u>	<u>\$ 98,617</u>	<u>\$ 95,816</u>	<u>\$ 196,952</u>

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 71,216</u>
Transfers to Local Street Fund from:	
General Fund	\$ 50,000
Nonmajor Governmental Funds	<u>24,000</u>
	<u>\$ 74,000</u>
Transfers to General Fund from:	
Nonmajor Governmental Funds	<u>\$ 3,509</u>

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2006, are as follows:

Due to General Fund from:
Nonmajor Governmental Funds \$ 5,768

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance June 30, 2006</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 84,069	\$ -	\$ -	\$ 84,069
Construction in progress	<u>1,577,412</u>	<u>1,159,432</u>	<u>(1,271,765)</u>	<u>1,465,079</u>
Subtotal of capital assets not being depreciated	1,661,481	1,159,432	(1,271,765)	1,549,148
Capital assets being depreciated				
Infrastructure	1,414,308	1,271,765	-	2,686,073
Buildings and improvements	1,011,311	-	-	1,011,311
Equipment	<u>1,118,353</u>	<u>72,382</u>	<u>(21,757)</u>	<u>1,168,978</u>
Subtotal of capital assets being depreciated	3,543,972	1,344,147	(21,757)	4,866,362
Less accumulated depreciation for				
Infrastructure	(37,179)	(70,715)	-	(107,894)
Buildings and improvements	(473,435)	(55,570)	-	(529,005)
Equipment	<u>(547,638)</u>	<u>(95,091)</u>	<u>21,757</u>	<u>(620,972)</u>
Subtotal	<u>(1,058,252)</u>	<u>(221,376)</u>	<u>21,757</u>	<u>(1,257,871)</u>
Net capital assets being depreciated	<u>2,485,720</u>	<u>1,122,771</u>	<u>-0-</u>	<u>3,608,491</u>
Capital assets, net	<u>\$ 4,147,201</u>	<u>\$ 2,282,203</u>	<u>\$(1,271,765)</u>	<u>\$ 5,157,639</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 75,975
Public safety	50,127
Public works	<u>95,274</u>
Total depreciation expense	<u>\$ 221,376</u>

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE F: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 7,027	\$ -	\$ -	\$ 7,027
Capital assets being depreciated				
Buildings	3,608,814	-	-	3,608,814
Sewer system	454,941	140,578	-	595,519
Water system	<u>3,157,815</u>	<u>331,444</u>	<u>-</u>	<u>3,489,259</u>
Subtotal of capital assets being depreciated	7,221,570	472,022	-0-	7,693,592
Less accumulated depreciation for				
Buildings	(1,508,420)	(72,176)	-	(1,580,596)
Sewer System	(109,480)	(24,590)	-	(134,070)
Water System	<u>(1,308,415)</u>	<u>(147,724)</u>	<u>-</u>	<u>(1,456,139)</u>
Subtotal	<u>(2,926,315)</u>	<u>(244,490)</u>	<u>-0-</u>	<u>(3,170,805)</u>
Net capital assets being depreciated	<u>4,295,255</u>	<u>227,532</u>	<u>-0-</u>	<u>4,522,787</u>
Capital assets, net	<u>\$ 4,302,282</u>	<u>\$ 227,532</u>	<u>\$ -0-</u>	<u>\$ 4,529,814</u>

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amount Due Within One Year
Governmental Activities					
2003 East Street Drain Loan	\$ 114,286	\$ -	\$ 22,857	\$ 91,429	\$ 22,857
2004 Boardwalk Trail Loan	67,467	-	33,327	34,140	34,140
2005 Parking Lot Loan	325,500	-	40,739	284,761	42,523
1991 General Obligation Bonds	15,000	-	15,000	-0-	-
1997 General Obligation Bonds	125,000	-	15,000	110,000	15,000
2000 General Obligation Bonds	290,000	-	20,000	270,000	25,000
2002 General Obligation Bonds	505,000	-	30,000	475,000	35,000
2003 General Obligation Bonds	354,268	-	23,042	331,226	23,042
2005 General Obligation Bonds	-	300,000	-	300,000	-
1991 Special Assessment Bonds	10,000	-	10,000	-0-	-
1992-A Special Assessment Bonds	30,000	-	15,000	15,000	15,000
1996-A Special Assessment Bonds	105,000	-	15,000	90,000	15,000
2000-A Special Assessment Bonds	200,000	-	20,000	180,000	20,000
2001 Special Assessment Bonds	255,000	-	20,000	235,000	20,000
2002 Special Assessment Bonds	300,000	-	25,000	275,000	25,000
2003 Special Assessment Bonds	350,000	-	25,000	325,000	25,000
2005 Special Assessment Bonds	-	235,000	-	235,000	-
Compensated Absences	<u>37,432</u>	<u>267</u>	<u>-</u>	<u>37,699</u>	<u>28,274</u>
	3,083,953	535,267	329,965	3,289,255	345,836

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE G: LONG-TERM DEBT - CONTINUED

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amount Due Within One Year
Internal Service Fund					
2000 Saber Pumper Fire Truck	\$ 80,207	\$ -	\$ 25,206	\$ 55,001	\$ 26,706
2002 Pierce Pumper Fire Truck	116,957	-	12,130	104,827	12,769
	<u>197,164</u>	<u>-0-</u>	<u>37,336</u>	<u>159,828</u>	<u>39,475</u>
Total governmental activities	3,281,117	535,267	367,301	3,449,083	385,311
Business-type Activities					
1996-A Water Supply System	75,000	-	25,000	50,000	25,000
1997 Water Supply System	30,000	-	30,000	-0-	-
2000-A Water Supply System	335,000	-	25,000	310,000	25,000
2001 Water Supply System	230,000	-	20,000	210,000	20,000
2003 General Obligation Bonds	260,732	-	16,958	243,774	16,958
2005 Water Well House Bonds	137,000	-	44,088	92,912	45,657
2005 Capital Improvement Bonds	-	585,000	-	585,000	20,000
2005-A Water Improvement Bonds	950,000	-	-	950,000	30,000
1998-A Sewage Disposal Bonds	829,738	-	34,874	794,864	42,770
1998-A Sewage Disposal Bonds	125,020	-	125,020	-0-	-
2005 Sewage Disposal Refunding Bonds	<u>1,702,904</u>	<u>-</u>	<u>9,870</u>	<u>1,693,034</u>	<u>136,206</u>
Total business-type activities	<u>4,675,394</u>	<u>585,000</u>	<u>330,810</u>	<u>4,929,584</u>	<u>361,591</u>
Total reporting entity	<u>\$ 7,956,511</u>	<u>\$ 1,120,267</u>	<u>\$ 698,111</u>	<u>\$ 8,378,667</u>	<u>\$ 746,902</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Installment Loans

\$160,000 Installment purchase agreement dated February 5, 2003, due in annual installments of \$22,857 through February 5, 2010, with interest at 3.25 percent, payable semi-annually. \$ 91,429

\$100,000 Installment purchase agreement dated October 15, 2004, due in an annual installment of \$34,140 through October 15, 2006, with interest at 2.44 percent, payable annually. 34,140

\$325,500 Installment purchase agreement dated September 1, 2004, due in annual installments of ranging from \$42,523 to \$52,688 through September 1, 2011, with interest at 4.38 percent, payable annually. 284,761

\$297,651 Fire Truck Installment purchase agreement dated July 10, 2000, due in annual installments ranging from \$26,706 to \$28,295 through July 10, 2007, with interest at 5.95 percent, payable annually. 55,001

\$139,425 Fire Truck Installment purchase agreement dated July 25, 2002, due in annual installments of ranging from \$12,769 to \$17,378 through July 25, 2012, with interest at 5.72 percent, payable annually. 104,827

\$ 570,158

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE G: LONG-TERM DEBT - CONTINUED

General Obligation Bonds

\$230,000 Limited Tax General Obligation Transportation Bonds dated November 1, 1997, due in annual installments ranging from \$15,000 to \$20,000 through November 1, 2011, with interest ranging from 5.20 to 5.70 percent, payable semi-annually.	\$ 110,000
\$365,000 Limited Tax General Obligation Transportation Bonds dated November 1, 2000, due in annual installments ranging from \$25,000 to \$35,000 through November 1, 2014, with interest ranging from 5.40 to 6.00 percent, payable semi-annually.	270,000
\$590,000 General Obligation Bonds dated June 1, 2002, due in annual installments ranging from \$35,000 to \$55,000 through May 1, 2017, with interest ranging from 3.85 to 4.85 percent, payable semi-annually.	475,000
\$377,310 Limited Tax General Obligation Transportation Bonds dated July 1, 2003, due in annual installments ranging from \$23,042 to \$34,564 through July 1, 2017, with interest ranging from 2.20 to 4.20 percent, payable semi-annually.	331,226
\$277,690 Limited Tax General Obligation Bonds dated July 1, 2003, due in annual installments ranging from \$16,958 to \$25,437 through July 1, 2017, with interest ranging from 2.20 to 4.20 percent, payable semi-annually.	243,774
\$300,000 Limited Tax General Obligation Bonds dated September 1, 2005, due in annual installments ranging from \$15,000 to \$30,000 through November 11, 2020, with interest ranging from 4.00 to 4.25 percent, payable semi-annually.	300,000
\$137,000 2005 Water Well House Revenue Bonds dated May 1, 2005, due in annual installments ranging from \$45,657 to \$47,255 through May 1, 2008, with interest at 3.5 percent, payable annually.	92,912
\$950,000 2005-A Capital Improvement Bonds dated May 1, 2005, due in annual installments ranging from \$30,000 to \$70,000 through May 1, 2025, with interest ranging from 4.10 to 4.70 percent, payable semi-annually.	950,000
\$585,000 2005-B Capital Improvement Bonds dated May 1, 2005, due in annual installments ranging from \$20,000 to \$45,000 through May 1, 2025, with interest ranging from 4.00 to 4.50 percent, payable semi-annually.	585,000
\$939,624 1998 Sewage Disposal Bonds dated April 1, 1998, due in annual installments ranging from \$25,004 to \$120,414 through May 1, 2019, with interest of 5.01 percent, payable semi-annually.	794,864
\$1,702,904 2005 Sewage Disposal Refunding Bonds dated February 1, 2005, due in annual installments ranging from \$136,206 to \$174,370 through April 1, 2016, with interest ranging from 2.75 to 5.00 percent, payable semi-annually.	<u>1,693,034</u>
	<u>\$ 5,845,810</u>

Special Assessment Bonds

\$205,000 1992-A Special Assessment Bonds dated June 1, 1992, due in annual installments of \$15,000 through November 1, 2006, with interest at 6.45 percent, payable semi-annually.	\$ 15,000
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City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE G: LONG-TERM DEBT - CONTINUED

Special Assessment Bonds - continued

\$225,000 1996-A Special Assessment Bonds dated September 1, 1996, due in annual installments of \$15,000 through November 1, 2011, with interest ranging from 5.40 to 5.90 percent, payable semi-annually.	\$ 90,000
\$265,000 2000-A Special Assessment Bonds dated November 1, 2000, due in annual installments of \$20,000 through November 1, 2014, with interest ranging from 5.40 to 6.00 percent, payable semi-annually.	180,000
\$315,000 2001 Special Assessment Bonds dated July 1, 2001, due in annual installments ranging from \$20,000 to \$25,000 through November 1, 2015, with interest ranging from 4.30 to 5.25 percent, payable semi-annually.	235,000
\$355,000 2002 Special Assessment Bonds dated June 1, 2002, due in annual installments of \$25,000 through November 1, 2016, with interest ranging from 3.80 to 4.80 percent, payable semi-annually.	275,000
\$375,000 2003 Special Assessment Bonds dated July 1, 2003, due in annual installments ranging from \$25,000 to \$30,000 through July 1, 2017, with interest ranging from 2.20 to 4.20 percent, payable semi-annually.	325,000
\$235,000 2005 Special Assessment Bonds dated September 1, 2005, due in annual installments ranging from \$10,000 to \$25,000 through November 11, 2020, with interest ranging from 4.00 to 4.25 percent, payable semi-annually.	235,000
	<u>\$ 1,355,000</u>

Water Supply and Sewer System Revenue Bonds

\$220,000 1996-A Water Supply System Revenue Bonds dated May 1, 1997, due in annual installments of \$25,000 through November 1, 2007, with interest ranging from 5.60 to 5.70 percent, payable semi-annually.	\$ 50,000
\$440,000 2000-A Water Supply System Revenue Bonds dated November 1, 2000, due in annual installments ranging from \$25,000 to \$45,000 through May 1, 2015, with interest ranging from 5.45 to 6.00 percent, payable semi-annually.	310,000
\$285,000 2001 Water Supply System Revenue Bonds dated July 1, 2001, due in annual installments ranging from \$20,000 to \$40,000 through May 1, 2013, with interest ranging from 4.30 to 5.00 percent, payable semi-annually.	210,000
	<u>\$ 570,000</u>

Accrued Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/personal time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$37,699 at June 30, 2006.

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE G: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the Bonds, Notes, and other obligations are as follows:

Year Ending June 30,	<u>Installment Loans</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 138,995	\$ 25,075	\$ 389,633	\$ 249,714
2008	108,980	19,373	416,495	235,677
2009	83,338	14,295	380,820	220,626
2010	86,113	10,776	403,058	205,721
2011	66,158	7,132	425,296	189,974
2012-2016	86,574	5,010	2,276,189	660,486
2017-2021	-	-	1,114,269	220,263
2022-2025	-	-	440,000	51,501
	<u>\$ 570,158</u>	<u>\$ 81,661</u>	<u>\$ 5,845,810</u>	<u>\$ 2,033,862</u>

Year Ending June 30,	<u>Special Assessment Bonds</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 120,000	\$ 56,810	\$ 70,000	\$ 30,088
2008	115,000	47,487	75,000	26,453
2009	115,000	47,027	50,000	23,191
2010	120,000	41,985	65,000	20,591
2011	125,000	36,592	69,995	17,236
2012-2016	565,000	102,940	240,000	30,826
2017-2021	195,000	15,249	-	-
	<u>\$ 1,355,000</u>	<u>\$ 348,090</u>	<u>\$ 570,000</u>	<u>\$ 148,385</u>

NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the City's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE H: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

During the year ended June 30, 2006, the City incurred expenditures in the General Fund and Local Street Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Transfers out	\$ 119,898	\$ 121,216	\$ 1,318
Special Revenue Fund			
Local Street			
Public Works	604,550	1,181,419	576,869

NOTE I: RETIREMENT PLAN

The City of Linden Group Pension Plan is a defined contribution pension plan established by the City Council and administered by ICMA, a third party, to provide benefits at retirement to eligible employees. Substantially all full time employees are eligible to participate in the plan. At June 30, 2006, all 13 eligible persons were plan members.

Employees are not required to contribute to the plan. The City is required to contribute 7% of the employee's annual salary.

Contributions made by the City vest 20% per year through year five at which time the employee is fully vested. An employee who leaves the employment of the City is entitled to his or her contributions and the City's contributions, plus interest earned.

Plan provisions and contribution requirements are established and may be amended by the City Council.

During the year, the City's required and actual contributions amounted to \$41,986.

NOTE J: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Liability and Property Pool with other municipalities for property, casualty, law enforcement, automobiles, crime, employee benefit, and public official losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

NOTE K: POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides certain health care benefits, including prescription drug benefits for employees who have retired. Substantially all of the City's employees may become eligible for those benefits when they reach age 60 with twenty (20) years of service or age 55 with twenty-five (25) years of service. Under this program the City pays 100% of the cost of health care, including prescription benefits for eligible employees and their spouse at the time of retirement under age 65, and 100% of Medicare supplemental insurance for age 65 or older.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE K: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

The City has established a trust fund (the Trust) for the purpose of providing retiree health care benefits under City policy. Based on an actuarially determined liability and funding schedule, it is the City's intention to fund the Trust at a rate of 14.51% of payroll over the next five years at which time another actuarial valuation will be done.

The Trust is being funded based on 14 employees and potential retirees. The City has no current retirees. Contributions required and made during the year amounted to \$50,050. As of June 30, 2006, there was \$117,648 available for benefits. The total actuarially determined liability for these benefits is \$742,596 and the total unfunded liability was \$733,359 at December 31, 2003, based on the initial actuarial analysis. The City has chosen to fund the Trust based on assumptions of annual cost increases for benefits ranging from 13.0% to 4.5% and an 8% return on investments.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the City has set aside for specific purposes.

The following are the fund balance reserves as of June 30, 2006:

General Fund	
Reserved for public education grant	\$ 42,847
Reserved for Mill Building	83,828
Reserved for prepaids	<u>16,729</u>
	143,404
Nonmajor governmental funds	
Reserved for retiree health care	117,648
Reserved for perpetual care	93,593
Reserved for debt service	<u>512,554</u>
	<u>723,795</u>
Total primary government	<u>\$ 867,199</u>

The following are the fund balance designations as of June 30, 2006:

General Fund	
Designated for subsequent year's expenditures	<u>\$ 45,095</u>

City of Linden

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

NOTE M: RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the net asset restrictions as of June 30, 2006:

Governmental activities	
Debt service	<u>\$ 471,853</u>
Other purposes	
Perpetual care	\$ 93,593
Public education grant	42,847
Mill Building	83,828
Highways and streets	<u>268,647</u>
	<u>\$ 488,915</u>
Business-type activities	
Debt service	<u>\$ 95,816</u>

NOTE N: BUILDING DEPARTMENT FINANCIAL ACTIVITIES

The City has elected to report the financial activities of the building department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2006:

Revenues	\$ 54,042
Less: expenditures	(79,874)
Less: operating deficit from prior years	<u>(50,285)</u>
Total operating deficit, cumulative	<u>\$ (76,117)</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Linden

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,143,350	\$ 1,143,350	\$ 1,143,898	\$ 548
Licenses and permits	81,435	81,435	97,995	16,560
Intergovernmental - State	287,400	318,413	316,540	(1,873)
Charges for services				
Cemetery	49,300	49,300	47,684	(1,616)
Other	341,339	341,339	347,269	5,930
Fines and forfeits	32,000	32,000	35,240	3,240
Interest and rents	22,650	22,050	52,351	30,301
Other				
Special assessments	5,150	5,150	5,152	2
Miscellaneous	63,300	74,600	76,339	1,739
TOTAL REVENUES	2,025,924	2,067,637	2,122,468	54,831
EXPENDITURES				
Current				
General government	1,064,847	1,085,447	901,868	183,579
Public safety	632,200	638,376	625,496	12,880
Public works	198,275	212,445	211,060	1,385
Recreation and cultural	18,600	18,600	13,195	5,405
Capital outlay	1,000	3,000	2,371	629
Debt service				
Principal	56,191	56,191	56,184	7
Interest	5,363	5,363	5,360	3
TOTAL EXPENDITURES	1,976,476	2,019,422	1,815,534	203,888
EXCESS OF REVENUES OVER EXPENDITURES	49,448	48,215	306,934	258,719
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,200	3,509	2,309
Transfers out	(116,748)	(119,898)	(121,216)	(1,318)
TOTAL OTHER FINANCING SOURCES (USES)	(116,748)	(118,698)	(117,707)	991
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(67,300)	(70,483)	189,227	259,710
Fund balance, beginning of year	666,128	666,128	666,128	-0-
Fund balance, end of year	<u>\$ 598,828</u>	<u>\$ 595,645</u>	<u>\$ 855,355</u>	<u>\$ 259,710</u>

City of Linden

Local Street Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental - State	\$ 50,000	\$ 50,000	\$ 696,278	\$ 646,278
Interest	1,980	1,980	2,354	374
Other				
Special assessments	4,080	4,080	4,385	305
TOTAL REVENUES	56,060	56,060	703,017	646,957
EXPENDITURES				
Public works				
Highways and streets	527,150	604,550	1,181,419	(576,869)
Debt service	77,475	75,557	75,556	1
TOTAL EXPENDITURES	604,625	680,107	1,256,975	(576,868)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(548,565)	(624,047)	(553,958)	70,089
OTHER FINANCING SOURCES				
Bond proceeds	460,000	535,000	535,000	-0-
Transfers in	74,000	74,000	74,000	-0-
TOTAL OTHER FINANCING SOURCES	534,000	609,000	609,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(14,565)	(15,047)	55,042	70,089
Fund balance, beginning of year	53,075	53,075	53,075	-0-
Fund balance, end of year	<u>\$ 38,510</u>	<u>\$ 38,028</u>	<u>\$ 108,117</u>	<u>\$ 70,089</u>

OTHER SUPPLEMENTARY INFORMATION

City of Linden
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2006

	Special Revenue		Debt		
	Major Street	Retiree Health Care	N. Bridge St.	E. Rolston Rd.	Meadowgreen
ASSETS					
Cash and cash equivalents	\$ 157,833	\$ 117,648	\$ -	\$ 203	\$ 51,608
Accounts receivable	143	-	-	-	-
Special assessments receivable	15,218	-	-	2,643	34,322
TOTAL ASSETS	<u>\$ 173,194</u>	<u>\$ 117,648</u>	<u>\$ -0-</u>	<u>\$ 2,846</u>	<u>\$ 85,930</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 879	\$ -	\$ -	\$ -	\$ -
Accrued wages	170	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	11,615	-	-	-	26,830
TOTAL LIABILITIES	<u>12,664</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>26,830</u>
FUND BALANCES					
Reserved for					
Retiree health care	-	117,648	-	-	-
Perpetual care	-	-	-	-	-
Debt service	-	-	-	2,846	59,100
Unreserved					
Undesignated	160,530	-	-	-	-
TOTAL FUND BALANCES	<u>160,530</u>	<u>117,648</u>	<u>-0-</u>	<u>2,846</u>	<u>59,100</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 173,194</u>	<u>\$ 117,648</u>	<u>\$ -0-</u>	<u>\$ 2,846</u>	<u>\$ 85,930</u>

Service					Permanent Fund Cemetery Perpetual Care	Total
E. Broad	W. Broad	Tickner	N. Bridge 2003	Ripley Road		
\$ 70,743	\$ 92,988	\$ 98,483	\$ 72,674	\$ -	\$ 93,593	\$ 755,773
-	-	-	-	-	-	143
103,739	145,149	180,615	261,989	247,003	-	990,678
<u>\$ 174,482</u>	<u>\$ 238,137</u>	<u>\$ 279,098</u>	<u>\$ 334,663</u>	<u>\$ 247,003</u>	<u>\$ 93,593</u>	<u>\$ 1,746,594</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 879
-	-	-	-	-	-	170
-	-	-	-	5,768	-	5,768
86,278	123,403	155,853	230,081	221,392	-	855,452
<u>86,278</u>	<u>123,403</u>	<u>155,853</u>	<u>230,081</u>	<u>227,160</u>	<u>-0-</u>	<u>862,269</u>
-	-	-	-	-	-	117,648
-	-	-	-	-	93,593	93,593
88,204	114,734	123,245	104,582	19,843	-	512,554
-	-	-	-	-	-	160,530
<u>88,204</u>	<u>114,734</u>	<u>123,245</u>	<u>104,582</u>	<u>19,843</u>	<u>93,593</u>	<u>884,325</u>
<u>\$ 174,482</u>	<u>\$ 238,137</u>	<u>\$ 279,098</u>	<u>\$ 334,663</u>	<u>\$ 247,003</u>	<u>\$ 93,593</u>	<u>\$ 1,746,594</u>

City of Linden

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	Special Revenue		Debt		
	Major Street	Retiree Health Care	N. Bridge St.	E. Rolston Rd.	Meadowgreen
REVENUES					
Intergovernmental	\$ 134,325	\$ -	\$ -	\$ -	\$ -
Interest and rents	2,901	4,328	4	186	4,204
Other	4,865	-	-	2,677	8,586
TOTAL REVENUES	142,091	4,328	4	2,863	12,790
EXPENDITURES					
Public works	84,831	-	-	-	-
Debt service	146,771	-	10,360	16,705	20,732
TOTAL EXPENDITURES	231,602	-0-	10,360	16,705	20,732
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(89,511)	4,328	(10,356)	(13,842)	(7,942)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	50,050	4,711	13,575	-
Transfers out	(24,000)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(24,000)	50,050	4,711	13,575	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(113,511)	54,378	(5,645)	(267)	(7,942)
Fund balances, beginning of year	274,041	63,270	5,645	3,113	67,042
Fund balances, end of year	\$ 160,530	\$ 117,648	\$ -0-	\$ 2,846	\$ 59,100

Service					Permanent Fund Cemetery Perpetual Care	Total
E. Broad	W. Broad	Tickner	N. Bridge 2003	Ripley Road		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 134,325
9,430	11,531	12,817	12,942	9,799	3,509	71,651
13,349	22,593	27,410	37,663	15,814	-	132,957
22,779	34,124	40,227	50,605	25,613	3,509	338,933
-	-	-	-	-	-	84,831
31,075	32,099	37,562	35,825	5,770	-	336,899
31,075	32,099	37,562	35,825	5,770	-0-	421,730
(8,296)	2,025	2,665	14,780	19,843	3,509	(82,797)
-	-	-	-	-	2,880	71,216
-	-	-	-	-	(3,509)	(27,509)
-0-	-0-	-0-	-0-	-0-	(629)	43,707
(8,296)	2,025	2,665	14,780	19,843	2,880	(39,090)
96,500	112,709	120,580	89,802	-	90,713	923,415
\$ 88,204	\$ 114,734	\$ 123,245	\$ 104,582	\$ 19,843	\$ 93,593	\$ 884,325

City of Linden
Schedule of Indebtedness
June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
INSTALLMENT LOANS				
East Street Drain Installment Loan Payable	8/5/2006	\$ 1,486	\$ 1,486	\$ -
	2/5/2007	24,343	1,486	22,857
	8/5/2007	1,114	1,114	-
	2/5/2008	23,971	1,114	22,857
	8/5/2008	743	743	-
	2/5/2009	23,600	743	22,857
	8/5/2009	371	371	-
	2/5/2010	23,229	371	22,858
		<u>\$ 98,857</u>	<u>\$ 7,428</u>	<u>\$ 91,429</u>
Boardwalk Installment Loan Payable	10/15/2006	<u>\$ 34,973</u>	<u>\$ 833</u>	<u>\$ 34,140</u>
Parking Lot Loan Payable	9/1/2006	\$ 54,996	\$ 12,473	\$ 42,523
	9/1/2007	54,996	10,610	44,386
	9/1/2008	54,996	8,666	46,330
	9/1/2009	54,996	6,637	48,359
	9/1/2010	54,996	4,520	50,476
	9/1/2011	54,996	2,309	52,687
		<u>\$ 329,976</u>	<u>\$ 45,215</u>	<u>\$ 284,761</u>
2001 Installment Loan Payable - Equipment Fund	7/1/2006	\$ 29,979	\$ 3,273	\$ 26,706
	7/1/2007	29,979	1,684	28,295
		<u>\$ 59,958</u>	<u>\$ 4,957</u>	<u>\$ 55,001</u>
2003 Installment Loan Payable - Equipment Fund	7/25/2006	\$ 18,293	\$ 5,524	\$ 12,769
	7/25/2007	18,293	4,851	13,442
	7/25/2008	18,294	4,143	14,151
	7/25/2009	18,293	3,397	14,896
	7/25/2010	18,294	2,612	15,682
	7/25/2011	18,294	1,786	16,508
	7/25/2012	18,294	915	17,379
		<u>\$ 128,055</u>	<u>\$ 23,228</u>	<u>\$ 104,827</u>
TOTAL INSTALLMENT LOANS				<u><u>\$ 570,158</u></u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS				
1997A Michigan Transportation Fund Bonds	11/1/2006	\$ 18,008	\$ 3,008	\$ 15,000
	5/1/2007	2,617	2,617	-
	11/1/2007	17,618	2,618	15,000
	5/1/2008	2,220	2,220	-
	11/1/2008	22,220	2,220	20,000
	5/1/2009	1,680	1,680	-
	11/1/2009	21,680	1,680	20,000
	5/1/2010	1,130	1,130	-
	11/1/2010	21,130	1,130	20,000
	5/1/2011	570	570	-
	11/1/2011	20,570	570	20,000
		<u>\$ 129,443</u>	<u>\$ 19,443</u>	<u>\$ 110,000</u>

The 1997A Bonds are subject to early redemption in integral multiples of \$5,000. Bonds maturing in 2006 to 2011, inclusive, shall be subject to redemption prior to maturity, at the option of the City, in such order as the City shall determine, on any interest payment date after November 1, 2004.

2002 General Obligation Bonds	11/1/2006	\$ 32,741	\$ 7,741	\$ 25,000
	5/1/2007	7,066	7,066	-
	11/1/2007	32,066	7,066	25,000
	5/1/2008	6,385	6,385	-
	11/1/2008	31,385	6,385	25,000
	5/1/2009	5,698	5,698	-
	11/1/2009	35,698	5,698	30,000
	5/1/2010	4,858	4,858	-
	11/1/2010	34,858	4,858	30,000
	5/1/2011	4,003	4,003	-
	11/1/2011	34,003	4,003	30,000
	5/1/2012	3,133	3,133	-
	11/1/2012	38,133	3,133	35,000
	5/1/2013	2,100	2,100	-
	11/1/2013	37,100	2,100	35,000
	5/1/2014	1,050	1,050	-
	11/1/2014	36,050	1,050	35,000
		<u>\$ 346,327</u>	<u>\$ 76,327</u>	<u>\$ 270,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2000 General Obligation Bonds	11/1/2006	\$ 10,441	\$ 10,441	\$ -
	5/1/2007	45,441	10,441	35,000
	11/1/2007	9,768	9,768	-
	5/1/2008	44,767	9,767	35,000
	11/1/2008	9,076	9,076	-
	5/1/2009	44,076	9,076	35,000
	11/1/2009	8,368	8,368	-
	5/1/2010	48,367	8,367	40,000
	11/1/2010	7,538	7,538	-
	5/1/2011	47,537	7,537	40,000
	11/1/2011	6,688	6,688	-
	5/1/2012	51,687	6,687	45,000
	11/1/2012	5,709	5,709	-
	5/1/2013	50,709	5,709	45,000
	11/1/2013	4,708	4,708	-
	5/1/2014	49,707	4,707	45,000
	11/1/2014	3,684	3,684	-
	5/1/2015	53,684	3,684	50,000
	11/1/2015	2,521	2,521	-
	5/1/2016	52,521	2,521	50,000
	11/1/2016	1,334	1,334	-
	5/1/2017	56,334	1,334	55,000
		<u>\$ 614,665</u>	<u>\$ 139,665</u>	<u>\$ 475,000</u>
2003 General Obligation Bonds	11/1/2006	\$ 20,835	\$ 3,877	\$ 16,958
	5/1/2007	3,707	3,707	-
	11/1/2007	20,665	3,707	16,958
	5/1/2008	3,520	3,520	-
	11/1/2008	20,478	3,520	16,958
	5/1/2009	3,321	3,321	-
	11/1/2009	22,399	3,321	19,078
	5/1/2010	3,078	3,078	-
	11/1/2010	22,156	3,078	19,078
	5/1/2011	2,811	2,811	-
	11/1/2011	21,889	2,811	19,078
	5/1/2012	2,525	2,525	-
	11/1/2012	23,723	2,525	21,198
	5/1/2013	2,185	2,185	-
	11/1/2013	23,383	2,185	21,198
	5/1/2014	1,825	1,825	-
	11/1/2014	23,023	1,825	21,198
	5/1/2015	1,444	1,444	-

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2003 Special Assessment Bonds - continued	11/1/2015	\$ 24,761	\$ 1,444	\$ 23,317
	5/1/2016	1,000	1,000	-
	11/1/2016	24,318	1,000	23,318
	5/1/2017	534	534	-
	11/1/2017	25,971	534	25,437
		<u>\$ 299,551</u>	<u>\$ 55,777</u>	<u>\$ 243,774</u>
2003 General Obligation Bonds	11/1/2006	\$ 28,309	\$ 5,267	\$ 23,042
	5/1/2007	5,037	5,037	-
	11/1/2007	28,079	5,037	23,042
	5/1/2008	4,783	4,783	-
	11/1/2008	27,825	4,783	23,042
	5/1/2009	4,513	4,513	-
	11/1/2009	30,435	4,513	25,922
	5/1/2010	4,182	4,182	-
	11/1/2010	30,104	4,182	25,922
	5/1/2011	3,819	3,819	-
	11/1/2011	29,741	3,819	25,922
	5/1/2012	3,430	3,430	-
	11/1/2012	32,232	3,430	28,802
	5/1/2013	2,970	2,970	-
	11/1/2013	31,722	2,970	28,802
	5/1/2014	2,480	2,480	-
	11/1/2014	31,282	2,480	28,802
	5/1/2015	1,961	1,961	-
	11/1/2015	33,644	1,962	31,682
	5/1/2016	1,359	1,359	-
	11/1/2016	33,041	1,359	31,682
	5/1/2017	726	726	-
	11/1/2017	35,290	726	34,564
		<u>\$ 406,964</u>	<u>\$ 75,788</u>	<u>\$ 331,226</u>
2005 Water Well House Bonds	5/1/2007	\$ 48,909	\$ 3,252	\$ 45,657
	5/1/2008	48,909	1,654	47,255
		<u>\$ 97,818</u>	<u>\$ 4,906</u>	<u>\$ 92,912</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2005 Capital Improvement Bonds	11/1/2006	\$ 20,806	\$ 20,806	\$ -
	5/1/2007	50,806	20,806	30,000
	11/1/2007	20,191	20,191	-
	5/1/2008	55,191	20,191	35,000
	11/1/2008	19,474	19,474	-
	5/1/2009	54,474	19,474	35,000
	11/1/2009	18,756	18,756	-
	5/1/2010	53,756	18,756	35,000
	11/1/2010	18,039	18,039	-
	5/1/2011	58,039	18,039	40,000
	11/1/2011	17,219	17,219	-
	5/1/2012	57,219	17,219	40,000
	11/1/2012	16,399	16,399	-
	5/1/2013	61,399	16,399	45,000
	11/1/2013	15,476	15,476	-
	5/1/2014	60,476	15,476	45,000
	11/1/2014	14,531	14,531	-
	5/1/2015	59,531	14,531	45,000
	11/1/2015	13,586	13,586	-
	5/1/2016	63,586	13,586	50,000
	11/1/2016	12,536	12,536	-
	5/1/2017	62,536	12,536	50,000
	11/1/2017	11,461	11,461	-
	5/1/2018	66,461	11,461	55,000
	11/1/2018	10,251	10,251	-
	5/1/2019	65,251	10,251	55,000
	11/1/2019	9,028	9,028	-
	5/1/2020	69,028	9,028	60,000
	11/1/2020	7,678	7,678	-
	5/1/2021	67,678	7,678	60,000
	11/1/2021	6,313	6,313	-
	5/1/2022	71,313	6,313	65,000
	11/1/2022	4,818	4,818	-
	5/1/2023	69,818	4,818	65,000
	11/1/2023	3,290	3,290	-
	5/1/2024	73,290	3,290	70,000
	11/1/2024	1,645	1,645	-
	5/1/2025	71,645	1,645	70,000
		<u>\$ 1,432,994</u>	<u>\$ 482,994</u>	<u>\$ 950,000</u>
1998A Sewage Disposal System Installment Contract	10/1/2006	\$ 19,510	\$ 19,510	\$ -
	4/1/2007	62,280	19,510	42,770
	10/1/2007	18,494	18,494	-
	4/1/2008	43,498	18,494	25,004
	10/1/2008	17,900	17,900	-
	4/1/2009	42,904	17,900	25,004

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
1998A Sewage Disposal System Installment Contract - continued	10/1/2009	\$ 17,306	\$ 17,306	\$ -
	4/1/2010	42,310	17,306	25,004
	10/1/2010	16,713	16,713	-
	4/1/2011	45,665	16,713	28,952
	10/1/2011	16,025	16,025	-
	4/1/2012	52,873	16,025	36,848
	10/1/2012	15,150	15,150	-
	4/1/2013	60,552	15,150	45,402
	10/1/2013	14,060	14,060	-
	4/1/2014	71,306	14,060	57,246
	10/1/2014	12,672	12,672	-
	4/1/2015	83,078	12,672	70,406
	10/1/2015	10,956	10,956	-
	4/1/2016	89,916	10,956	78,960
	10/1/2016	8,982	8,982	-
	4/1/2017	127,422	8,982	118,440
	10/1/2017	6,021	6,021	-
	4/1/2018	126,435	6,021	120,414
	10/1/2018	3,010	3,010	-
	4/1/2019	123,424	3,010	120,414
		<u>\$ 1,148,462</u>	<u>\$ 353,598</u>	<u>\$ 794,864</u>
2005 Sewage Disposal Refunding Bonds	10/1/2006	\$ 34,888	\$ 34,888	\$ -
	4/1/2007	171,094	34,888	136,206
	10/1/2007	33,015	33,015	-
	4/1/2008	192,251	33,015	159,236
	10/1/2008	30,627	30,627	-
	4/1/2009	196,443	30,627	165,816
	10/1/2009	27,725	27,725	-
	4/1/2010	200,779	27,725	173,054
	10/1/2010	24,696	24,696	-
	4/1/2011	201,040	24,696	176,344
	10/1/2011	20,949	20,949	-
	4/1/2012	198,609	20,949	177,660
	10/1/2012	17,174	17,174	-
	4/1/2013	195,492	17,174	178,318
	10/1/2013	12,939	12,939	-
	4/1/2014	189,941	12,939	177,002
	10/1/2014	8,735	8,735	-
	4/1/2015	183,763	8,735	175,028
	10/1/2015	4,359	4,359	-
	4/1/2016	178,729	4,359	174,370
		<u>\$ 2,123,248</u>	<u>\$ 430,214</u>	<u>\$ 1,693,034</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2005 General Obligation Bonds	11/1/2006	\$ 6,094	\$ 6,094	\$ -
	5/1/2007	6,094	6,094	-
	11/1/2007	21,094	6094	15,000
	5/1/2008	5,794	5,794	-
	11/1/2008	20,794	5,794	15,000
	5/1/2009	5,494	5,494	-
	11/1/2009	20,494	5,494	15,000
	5/1/2010	5,194	5,194	-
	11/1/2010	25,194	5,194	20,000
	5/1/2011	4,794	4,794	-
	11/1/2011	24,794	4,794	20,000
	5/1/2012	4,394	4,394	-
	11/1/2012	24,394	4,394	20,000
	5/1/2013	3,994	3,994	-
	11/1/2013	23,994	3,994	20,000
	5/1/2014	3,594	3,594	-
	11/1/2014	23,594	3,594	20,000
	5/1/2015	3,194	3,194	-
	11/1/2015	28,194	3,194	25,000
	5/1/2016	2,694	2,694	-
	11/1/2016	27,694	2,694	25,000
	5/1/2017	2,194	2,194	-
	11/1/2017	27,194	2,194	25,000
	5/1/2018	1,681	1,681	-
	11/1/2018	26,681	1,681	25,000
	5/1/2019	1,162	1,162	-
	11/1/2019	26,162	1,162	25,000
	5/1/2020	637	637	-
	11/1/2020	30,637	637	30,000
		<u>\$ 407,922</u>	<u>\$ 107,922</u>	<u>\$ 300,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
GENERAL OBLIGATION BONDS - CONTINUED				
2005-B Capital Improvement Bonds	11/1/2006	\$ 12,332	\$ 12,332	\$ -
	5/1/2007	32,332	12,332	20,000
	11/1/2007	11,932	11,932	-
	5/1/2008	31,932	11,932	20,000
	11/1/2008	11,532	11,532	-
	5/1/2009	31,532	11,532	20,000
	11/1/2009	11,132	11,132	-
	5/1/2010	31,132	11,132	20,000
	11/1/2010	10,732	10,732	-
	5/1/2011	35,732	10,732	25,000
	11/1/2011	10,232	10,232	-
	5/1/2012	35,232	10,232	25,000
	11/1/2012	9,716	9,716	-
	5/1/2013	34,716	9,716	25,000
	11/1/2013	9,201	9,201	-
	5/1/2014	34,200	9,200	25,000
	11/1/2014	8,685	8,685	-
	5/1/2015	38,685	8,685	30,000
	11/1/2015	8,066	8,066	-
	5/1/2016	38,066	8,066	30,000
	11/1/2016	7,448	7,448	-
	5/1/2017	37,447	7,447	30,000
	11/1/2017	6,829	6,829	-
	5/1/2018	41,828	6,828	35,000
	11/1/2018	6,103	6,103	-
	5/1/2019	41,102	6,102	35,000
	11/1/2019	5,368	5,368	-
	5/1/2020	40,367	5,367	35,000
	11/1/2020	4,624	4,624	-
	5/1/2021	44,624	4,624	40,000
	11/1/2021	3,764	3,764	-
	5/1/2022	43,764	3,764	40,000
	11/1/2022	2,894	2,894	-
	5/1/2023	42,894	2,894	40,000
	11/1/2023	2,014	2,014	-
	5/1/2024	47,014	2,014	45,000
	11/1/2024	1,013	1,013	-
	5/1/2025	46,012	1,012	45,000
		<u>\$ 872,228</u>	<u>\$ 287,228</u>	<u>\$ 585,000</u>
TOTAL GENERAL OBLIGATION BONDS				<u>\$ 5,845,810</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
SPECIAL ASSESSMENT BONDS				
1992 Special Assessment Bonds	11/1/2006	\$ 15,488	\$ 488	\$ 15,000
1996A Special Assessment Bonds	11/1/2006	\$ 17,543	\$ 2,543	\$ 15,000
	5/1/2007	2,137	2,137	-
	11/1/2007	17,138	2,138	15,000
	5/1/2008	1,725	1,725	-
	11/1/2008	16,725	1,725	15,000
	5/1/2009	1,305	1,305	-
	11/1/2009	16,305	1,305	15,000
	5/1/2010	877	877	-
	11/1/2010	15,878	878	15,000
	5/1/2011	442	442	-
	11/1/2011	15,446	446	15,000
		<u>\$ 105,521</u>	<u>\$ 15,521</u>	<u>\$ 90,000</u>
2000A Special Assessment Bonds	11/1/2006	\$ 25,135	\$ 5,135	\$ 20,000
	5/1/2007	4,595	4,595	-
	11/1/2007	24,595	4,595	20,000
	5/1/2008	4,050	4,050	-
	11/1/2008	24,050	4,050	20,000
	5/1/2009	3,500	3,500	-
	11/1/2009	23,500	3,500	20,000
	5/1/2010	2,940	2,940	-
	11/1/2010	22,940	2,940	20,000
	5/1/2011	2,370	2,370	-
	11/1/2011	22,370	2,370	20,000
	5/1/2012	1,790	1,790	-
	11/1/2012	21,790	1,790	20,000
	5/1/2013	1,200	1,200	-
	11/1/2013	21,200	1,200	20,000
	5/1/2014	600	600	-
	11/1/2014	20,600	600	20,000
		<u>\$ 227,225</u>	<u>\$ 47,225</u>	<u>\$ 180,000</u>
2001 Special Assessment Bonds	11/1/2006	\$ 25,703	\$ 5,703	\$ 20,000
	5/1/2007	5,272	5,272	-
	11/1/2007	25,273	5,273	20,000
	5/1/2008	4,822	482	-
	11/1/2008	24,823	4,823	20,000
	5/1/2009	4,362	4,362	-
	11/1/2009	29,363	4,363	25,000

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
SPECIAL ASSESSMENT BONDS - CONTINUED				
2001 Special Assessment Bonds - continued	5/1/2010	\$ 3,775	\$ 3,775	\$ -
	11/1/2010	28,775	3,775	25,000
	5/1/2011	3,175	3,175	-
	11/1/2011	28,175	3,175	25,000
	5/1/2012	2,562	2,562	-
	11/1/2012	27,563	2,563	25,000
	5/1/2013	1,937	1,937	-
	11/1/2013	26,938	1,938	25,000
	5/1/2014	1,300	1,300	-
	11/1/2014	26,300	1,300	25,000
	5/1/2015	656	656	-
	11/1/2015	25,656	656	25,000
		<u>\$ 176,812</u>	<u>\$ 26,812</u>	<u>\$ 150,000</u>
2002 Special Assessment Bonds - Tickner Street	11/1/2006	\$ 30,912	\$ 5,912	\$ 25,000
	5/1/2007	5,438	5,438	-
	11/1/2007	30,437	5,437	25,000
	5/1/2008	4,950	4,950	-
	11/1/2008	29,950	4,950	25,000
	5/1/2009	4,450	4,450	-
	11/1/2009	29,450	4,450	25,000
	5/1/2010	3,938	3,938	-
	11/1/2010	28,937	3,937	25,000
	5/1/2011	3,413	3,413	-
	11/1/2011	28,412	3,412	25,000
	5/1/2012	2,875	2,875	-
	11/1/2012	27,875	2,875	25,000
	5/1/2013	2,325	2,325	-
	11/1/2013	27,325	2,325	25,000
	5/1/2014	1,763	1,763	-
	11/1/2014	26,762	1,762	25,000
	5/1/2015	1,188	1,188	-
	11/1/2015	26,187	1,187	25,000
	5/1/2016	600	600	-
	11/1/2016	25,600	600	25,000
		<u>\$ 342,787</u>	<u>\$ 67,787</u>	<u>\$ 275,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
SPECIAL ASSESSMENT BONDS - CONTINUED				
2003 Special Assessment Bonds	11/1/2006	\$ 30,150	\$ 5,150	\$ 25,000
	5/1/2007	4,875	4,875	-
	11/1/2007	29,875	4,875	25,000
	5/1/2008	4,600	4,600	-
	11/1/2008	29,600	4,600	25,000
	5/1/2009	4,300	4,300	-
	11/1/2009	29,300	4,300	25,000
	5/1/2010	3,975	3,975	-
	11/1/2010	28,975	3,975	25,000
	5/1/2011	3,625	3,625	-
	11/1/2011	28,625	3,625	25,000
	5/1/2012	3,250	3,250	-
	11/1/2012	28,250	3,250	25,000
	5/1/2013	2,850	2,850	-
	11/1/2013	32,850	2,850	30,000
	5/1/2014	2,340	2,340	-
	11/1/2014	32,340	2,340	30,000
	5/1/2015	1,800	1,800	-
	11/1/2015	31,800	1,800	30,000
	5/1/2016	1,230	1,230	-
	11/1/2016	31,230	1,230	30,000
	5/1/2017	630	630	-
	11/1/2017	30,630	630	30,000
		<u>\$ 397,100</u>	<u>\$ 72,100</u>	<u>\$ 325,000</u>
2005 Special Assessments Bonds	11/1/2006	\$ 4,781	\$ 4,781	\$ -
	5/1/2007	4,781	4,781	-
	11/1/2007	14,781	4,781	10,000
	5/1/2008	4,581	4,581	-
	11/1/2008	14,581	4,581	10,000
	5/1/2009	4,381	4,381	-
	11/1/2009	14,381	4,381	10,000
	5/1/2010	4,181	4,181	-
	11/1/2010	19,181	4,181	15,000
	5/1/2011	3,881	3,881	-
	11/1/2011	18,881	3,881	15,000
	5/1/2012	3,581	3,581	-
	11/1/2012	18,581	3,581	15,000
	5/1/2013	3,281	3,281	-
	11/1/2013	18,281	3,281	15,000
	5/1/2014	2,981	2,981	-
	11/1/2014	17,981	2,981	15,000

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
SPECIAL ASSESSMENT BONDS - CONTINUED				
2005 Special Assessments Bonds - continued	5/1/2015	\$ 2,681	\$ 2,681	\$ -
	11/1/2015	22,681	2,681	20,000
	5/1/2016	2,281	2,281	-
	11/1/2016	22,281	2,281	20,000
	5/1/2017	1,881	1,881	-
	11/1/2017	21,881	1,881	20,000
	5/1/2018	1,471	1,471	-
	11/1/2018	21,471	1,471	20,000
	5/1/2019	1,056	1,056	-
	11/1/2019	26,056	1,056	25,000
	5/1/2020	531	531	-
	11/1/2020	25,531	531	25,000
		<u>\$ 322,879</u>	<u>\$ 87,879</u>	<u>\$ 235,000</u>
TOTAL SPECIAL ASSESSMENT BONDS				<u>\$ 1,270,000</u>
WATER AND SEWER SYSTEM REVENUE BONDS				
1996 Water Supply System Revenue Bonds	11/1/2006	\$ 26,412	\$ 1,412	\$ 25,000
	5/1/2007	713	713	-
	11/1/2007	25,712	712	25,000
		<u>\$ 52,837</u>	<u>\$ 2,837</u>	<u>\$ 50,000</u>
2000 Water Supply System Revenue Bonds	11/1/2006	\$ 8,999	\$ 8,999	\$ -
	5/1/2007	33,999	8,999	25,000
	11/1/2007	8,318	8,318	-
	5/1/2008	38,318	8,318	30,000
	11/1/2008	7,493	7,493	-
	5/1/2009	37,493	7,493	30,000
	11/1/2009	6,653	6,653	-
	5/1/2010	36,653	6,653	30,000
	11/1/2010	5,793	5,798	-
	5/1/2011	40,798	5,798	35,000
	11/1/2011	4,783	4,783	-
	5/1/2012	39,783	4,783	35,000
	11/1/2012	3,750	3,750	-
	5/1/2013	43,750	3,750	40,000
	11/1/2013	2,550	2,550	-
	5/1/2014	42,550	2,550	40,000
	11/1/2014	1,350	1,350	-
	5/1/2015	46,350	1,350	45,000
		<u>\$ 409,383</u>	<u>\$ 99,388</u>	<u>\$ 310,000</u>

City of Linden

Schedule of Indebtedness - Continued

June 30, 2006

Description	Payment Date	Debt Service Payment	Interest Portion	Principal Portion
WATER AND SEWER SYSTEM REVENUE BONDS - CONTINUED				
2001 Water Supply System Revenue Bonds	11/1/2006	\$ 4,983	\$ 4,983	\$ -
	5/1/2007	24,982	4,982	20,000
	11/1/2007	4,553	4,553	-
	5/1/2008	24,552	4,552	20,000
	11/1/2008	4,103	4,103	-
	5/1/2009	24,102	4,102	20,000
	11/1/2009	3,643	3,643	-
	5/1/2010	38,642	3,642	35,000
	11/1/2010	2,820	2,820	-
	5/1/2011	37,820	2,820	35,000
	11/1/2011	1,980	1,980	-
	5/1/2012	41,980	1,980	40,000
	11/1/2012	1,000	1,000	-
	5/1/2013	41,000	1,000	40,000
		<u>\$ 256,160</u>	<u>\$ 46,160</u>	<u>\$ 210,000</u>
TOTAL WATER SUPPLY AND SEWER SYSTEM REVENUE BONDS				<u>\$ 570,000</u>

City of Linden

Miscellaneous Statistical Data (Unaudited)

Year Ended June 30, 2006

Taxable Valuation and Tax Rates (last seven years)

	Taxable Value	Tax Rates (Mills)
1998	\$ 49,355,380	12.0
1999	52,200,914	12.0
2000	57,406,045	12.0
2001	64,697,032	11.8145
2002	71,758,570	11.6526
2003	83,385,000	11.3962
2004	93,207,128	11.4713
2005	103,942,755	11.3289

2005 State Equalized Valuation \$ 128,134,500

2005 Per Capita Valuation (3,603 residents)

Taxable Value	\$ 28,849
State Equalized Value	35,563
Estimated True Cash Value	71,127

2005 Tax Base Computation

By Class

Real Property and Qualified	\$ 100,636,055	96.82%
Personal Property	3,300,100	3.18%
	<u>\$ 103,936,155</u>	<u>100.00%</u>

By Use

Commercial	\$ 10,507,370	10.11%
Industrial	28,530	0.03%
Residential	90,100,155	86.69%
Personal	3,300,100	3.18%
	<u>\$ 103,936,155</u>	<u>100.00%</u>

City of Linden

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2006

Major Taxpayers

The top ten taxpayers in the City and their 2005 Taxable value are as follows:

<u>Taxpayer</u>	<u>Product/Service</u>	<u>Taxable Value</u>	
Consumers Energy	Utility	\$ 1,915,100	
Shiawassee Shores Park	Mobile Home Park	1,490,520	
Spring Meadows Country Club	Country Club	1,243,760	
Yono Capital Investments, LLC	Business	715,790	
Wood Care X, Inc.	Business	549,000	
Parkside Place Investments	Apartment Buildings	483,800	
Gateway Manor Apts	Apartment Buildings	380,520	
Osmun, Guy	Property Owner	331,930	
Benford, Randy & Donna	Property Owner	280,760	
Pieczynski, Glen	Property Owner	280,030	
		7,671,210	7.38%
	Other Taxpayers	96,264,945	92.62%
		<u>\$ 103,936,155</u>	<u>100.00%</u>

Tax Levies and Collections

A history of tax levies and collections for the City is as follows:

<u>Year</u>	<u>Operating Tax Levy</u>	<u>Collections to March 1, each year</u>	
2005	\$ 1,142,467	\$ 1,084,065	94.89%
2004	1,037,339	996,718	96.08%
2003	950,356	906,107	95.34%
2002	835,838	805,503	96.37%
2001	764,355	718,460	94.00%
2000	689,083	654,400	94.97%
1999	624,460	590,719	94.60%
1998	591,591	554,544	93.74%
1997	551,618	521,874	94.61%
1996	518,625	489,254	94.34%
1995	468,981	450,081	95.97%
1994	411,151	391,834	95.30%

City of Linden

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2006

Computation of Direct and Overlapping Debt

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Linden</u>	<u>Amount Applicable to City of Linden</u>
City of Linden	\$ 8,340,968	100%	\$ 8,340,968
Mott Community College	80,710,000	0.92%	742,532
Genesee County	36,510,621	0.97%	354,153
Linden School District	34,540,000	17.81%	6,151,574
Bishop Airport Authority	10,555,000	0.97%	102,384
	<u>\$ 170,656,589</u>		<u>\$ 15,691,611</u>

Note:

The obligations represent bonded debt where an unlimited tax full faith and credit pledge of the government unit is made as security for payment of the associated principal and interest on the bonds.

Debt Ratios at June 30, 2006

	<u>Direct Debt</u>	<u>Overlapping Debt</u>
Per Capita (3,603)	\$ 2,315	\$ 4,355
Ratio to 2005 Taxable Valuation	8.02%	15.10%
Ratio to 2005 State Equalized Valuation	6.51%	12.25%
Ratio to 2005 True Cash Value	3.25%	6.12%

Pension Fund

The City pays 7% of its' employees wages to the ICMA Retirement Trust 401(k) Plan. The City's contributions for the past eight fiscal years are as follows:

<u>Year ended June 30,</u>	<u>Amount paid to Pension Fund</u>
2006	\$ 41,986
2005	34,029
2004	30,463
2003	33,229
2002	27,915
2001	23,274
1999	17,619
1998	16,238

City of Linden

Miscellaneous Statistical Data (Unaudited) - Continued

Year Ended June 30, 2006

Legal Debt Margin

Act 279, Public acts of Michigan, 1909, as ammended, provide that the net indebtedness of the City shall not be in excess of 10% of the state equalized valuation of all real and personal property. According to Act 279, bonds not included for purposes of calculating the legal debt margin are:

- (1) Special Assessment Bonds
- (2) Transporation Fund Bonds
- (3) Revenue Bonds
- (4) Pollution Abatement Bonds for public health purposes
- (5) Water Resources Commission or court ordered bonds

2005 State Equalized Valuation:		<u>\$ 128,134,500</u>
Debt Limit - 10% of State Equalized Valuation		\$ 12,813,450
Amount of Direct Debt Outstanding	\$ 8,340,968	
Less: Michigan Transportation Fund Bonds	(110,000)	
Special Assessment Bonds	(1,355,000)	
Revenue Bonds	(570,000)	
Installment Contracts	<u>(570,158)</u>	
		<u>5,735,810</u>
Legal debt margin remaining		<u>\$ 7,077,640</u>

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Linden
Linden, Michigan

We have audited the basic financial statements of City of Linden as of and for the year ended June 30, 2006, and have issued our report thereon dated August 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Linden's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Linden's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, the Mayor, and the City Council of the City of Linden, the pass-through grantors, and the Federal award agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

August 23, 2006